#### **BEFORE**

#### THE PUBLIC SERVICE COMMISSION OF

#### **SOUTH CAROLINA**

#### **DOCKET NO. 2009-512-W**

July 20, 2010

In Re: Application of Hamilton-Haynes	)	
Water Works for an Establishment of its	)	JOINT REQUEST
Service Area, Rates, and Charges for the	)	FOR SETTLEMENT
Provision of Water Services	)	HEARING

The South Carolina Office of Regulatory Staff ("ORS") and Hamilton-Haynes Water Works ("Hamilton-Haynes" or "the Company") (collectively "the Parties") pursuant to 26 S.C. Code Ann. Regs. 103-829 (Supp. 2009), the Settlement Policies and Procedures of the Public Service Commission of South Carolina ("the Commission"), and other applicable statutes, rules and regulations, hereby file this Joint Request to establish a settlement conference in the above-captioned proceeding and for approval of the Settlement Agreement. In support of this Joint Motion, the Parties state as follows:

- 1. On or about February 8, 2010, the Company filed an Application for the Establishment of Service Area, Rates and Charges for the Provision of Water Services.
- 2. The above-captioned proceeding has been established by the Commission pursuant to S.C. Code Ann. §58-5-240 (Supp. 2009) and 26 S.C. Code Ann. Regs. 103-712.4.B (2009).
- 3. ORS examined the books and records of the Company relative to the matters raised in the Application and conducted a site visit.
- 4. ORS and Hamilton-Haynes are the only parties of record in the above-captioned docket.

- 5. Following discussions concerning the issues in the above-captioned proceeding, Hamilton-Haynes has determined that its interests, and ORS has determined that the public interest, would best be served by stipulating to a comprehensive settlement of all issues pending in the above-captioned proceeding. The Agreement detailing the terms and conditions of the settlement is provided as Attachment "A."
- 7. In order to present the merits of the Settlement Agreement to the Commission, the Parties jointly move that the Commission commence a settlement hearing on August 17, 2010, the date of the hearing scheduled in this docket. Ms. Hannah Majewski on behalf of ORS will provide settlement testimony in support of this Settlement Agreement. Ms. Majewski's Settlement Testimony is provided as Attachment "B."
- 8. The Parties submit that the Settlement Agreement produces a fair and reasonable outcome. The Parties request that the Commission grant its approval of the Settlement Agreement as being in the public interest.

WHEREFORE, having fully set forth their Joint Motion, the Parties request that the Commission: 1) permit the Parties to present the merits of the Settlement Agreement on August 17, 2010; and 2) issue an order approving the Parties' Settlement Agreement as just, fair and reasonable.

WE SO MOVE:

### Representing and binding the Office of Regulatory Staff

Swaln Boland Rusold

Shealy Boland Reibold, Esquire

South Carolina Office of Regulatory Staff

1401 Main Street (Suite 900)

Columbia, SC 29201

Phone: (803) 737-0863 Fax: (803) 737-0895

E-mail: sreibol@regstaff.sc.gov

Representing and binding Hamilton-

Haynes Water Works

Carolyn H. Smith

255 North Highway 52, Suite 1

Moncks Corner, SC 29461

(843) 761-4959

(843) 761-1472 (fax)

E-mail: haynesconst@homesc.com

#### **BEFORE**

#### THE PUBLIC SERVICE COMMISSION

#### OF SOUTH CAROLINA

#### **DOCKET NO. 2009-512-W**

July 20, 2010

IN RE: Application of Hamilton-Haynes

Water Works for an Establishment of)

Its Service Area, Rates and Charges

for the Provision of Water Services

SETTLEMENT AGREEMENT

This Settlement Agreement is made by and between Hamilton-Haynes Water Works ("Hamilton-Haynes" or "the Company") and the South Carolina Office of Regulatory Staff ("ORS"), (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, on February 8, 2010, Hamilton-Haynes filed an Application for the Establishment of Service Area, Rates and Charges for the Provision of Water Services with the Public Service Commission of South Carolina ("Commission");

WHEREAS, the above-captioned proceeding has been established by the Commission pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2009) and 26 S.C. Code Ann. Regs. 103-712.4.B (2009);

WHEREAS, Hamilton-Haynes provides water service to approximately 82 customers in Moncks Corner in Berkeley County, South Carolina;

WHEREAS, ORS has examined the books and records of the Company relative to the matters raised in the Application and has conducted a site visit;

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket and there are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions, to determine whether a settlement of this proceeding would be in their best interests and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to obtain a reasonable operating margin.

- 1. The Parties stipulate and agree that a flat rate of \$25.00 per month for residential water service, and a flat rate of \$40.00 per month for commercial and church water service are just and reasonable rates. Water tap fees will be \$560.00 for a 34" meter, \$760.00 for a 1" meter, and \$1,260 for a 1 ½" meter. Fees for new service with an existing water tap for a 34" meter will be \$60.00.
- 2. The Parties stipulate and agree that the rates contained in the rate schedule attached as Exhibit One to this Settlement Agreement are reasonably designed to allow the Company to provide service to its water customers at rates and terms and conditions of service that are fair, just and reasonable and provides the opportunity to recover the revenue required to earn a fair operating margin.
- 3. The Parties agree that the ORS shall have access to all of the books and records of this system and shall perform an examination of these books as necessary.
- 4. Hamilton-Haynes agrees to keep its books and records according to the NARUC Uniform System of Accounts as required by the Commission's rules and regulations. Hamilton-Haynes also understands and agrees that the South Carolina Department of Health and

Environmental Control ("DHEC") Safe Drinking Water Fee may only be collected and used to pay DHEC.

- 5. Hamilton-Haynes agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a water system.
- 6. Hamilton-Haynes agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. §58-5-10(4) (Supp. 2009) and that Hamilton-Haynes is therefore required to meet the bond requirements for the operation of the system as set forth in S.C. Code Ann. §58-5-720 (Supp. 2009).
- 7. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.
- 8. The Parties agree to stipulate into the record the pre-filed direct testimony of Carolyn H. Smith on behalf of Hamilton-Haynes and the settlement testimony of Hannah Majewski on behalf of ORS in support of this Settlement Agreement.
- 9. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:
  - . . . 'public interest' means a balancing of the following:
  - (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer:
  - (2) economic development and job attraction and retention in South Carolina; and

(3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

- 10. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.
  - 11. This Settlement Agreement shall be interpreted according to South Carolina law.
- 12. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES TO FOLLOW]

#### WE AGREE:

#### Representing and binding the Office of Regulatory Staff

Shealy Boland Reibold, Esquire

South Carolina Office of Regulatory Staff

1401 Main Street, Suite 900

Columbia, SC 29201

Phone: (803) 737-0863 (803) 737-0895

E-mail: sreibol@regstaff.sc.gov

#### WE AGREE:

#### Representing and binding Hamilton-Haynes Water Works

Carolyn H/Smith 255 North Highway 52, Suite 1 Moncks Corner, SC 29461

Phone: (843) 761-4959 Fax: (843) 761-1472

Email: haynesconst@homesc.com

# THE OFFICE OF REGULATORY STAFF SETTLEMENT TESTIMONY

**OF** 

HANNAH K. MAJEWSKI

**JULY 20, 2010** 



### **DOCKET NO. 2009-512-W**

Application of Hamilton-Haynes Water System for an Establishment of Its Service Area, Rates and Charges for the Provision of Water Services July 20, 2010 Page 1 of 5

1		SETTLEMENT TESTIMONY OF HANNAH K. MAJEWSKI				
2	FOR					
3	THE OFFICE OF REGULATORY STAFF					
4		<b>DOCKET NO. 2009-512-W</b>				
5	5 IN RE: APPLICATION OF HAMILTON-HAYNES WATER SYSTEM FOR THE					
6	E	STABLISHMENT OF ITS SERVICE AREA, RATES AND CHARGES FOR				
7		THE PROVISION OF WATER SERVICES				
8						
9	Q.	PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND				
10		OCCUPATION.				
11	A.	My name is Hannah Majewski, and my business address is 1401 Main				
12		Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State				
13	of South Carolina Office of Regulatory Staff ("ORS") as the Program Specialist					
14		for the Water and Wastewater Department.				
15	Q.	PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND				
16		EXPERIENCE.				
17	A.	I received a Bachelor of Arts Degree in English from the University of				
18		South Carolina in 1990. I have been employed by the State of South Carolina				
19		approximately 19 years, the last three of which have been with the Office of				
20		Regulatory Staff's Consumer Services Department assisting electric and gas				
21		consumers. In July 2009, I became the Program Specialist for the Water and				
22		Wastewater Department.				

23

Q.

1	Q.	WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
2		PROCEEDING?
3	A.	The purpose of my testimony is to set forth the ORS staff findings relative
4		to my review of the application of Hamilton-Haynes Water System ("Hamilton-
5		Haynes") for establishment of water rates in Berkeley County. I will also provide
6		a brief overview of the Settlement Agreement reached between ORS and
7		Hamilton-Haynes in this proceeding and to explain why this Settlement
8		Agreement is in the public interest.
9	Q.	PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR
10		TESTIMONY AND EXHIBITS.
11	A.	I used information provided by Hamilton-Haynes in its application and
12		additional information provided by Hamilton-Haynes during ORS's review.
13	Q.	ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS
14		TESTIMONY AND ACCOMPANYING EXHIBITS?
15	A.	Yes, my testimony and the attached exhibits detail ORS's findings and
16		recommendations.
17	Q.	PLEASE PROVIDE AN OVERVIEW OF THE LOCATION, SERVICE
18		
19	A.	Hamilton-Haynes provides water service to approximately 82 customers in
20		
21		
22		
19 20 21	A.	TYPE AND CUSTOMER BASE SERVED BY HAMILTON-HAYNES.  Hamilton-Haynes provides water service to approximately 82 customers in Moncks Corner, SC. Of the 82 customers, eighty are residential and two are commercial. Based on our review, Hamilton-Haynes would be classified as a NARUC Class C water utility according to the pro forma revenue information.

PLEASE EXPLAIN EXHIBIT HKM-1 OF YOUR REPORT.

July 20, 2010

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Page 3 of 5

1 A. Exhibit HKM-1 is a summary of the Hamilton-Haynes water
2 supply/distribution system inspected by ORS on June 18, 2010.

#### Water Supply/Distribution System

Hamilton-Haynes currently provides adequate water supply services to its customers using two deep-drilled wells. Safe drinking water standards are being met according to recent DHEC sanitary survey reports and required certified operator logs were in compliance at all ORS audited facilities. General housekeeping items including access roads and operator visits are satisfactory. Hamilton-Haynes was advised to provide proper signage on their well houses and storage tanks. Hamilton-Haynes charges a flat rate of \$25 per month for water service to residential customers and a flat rate of \$40 per month for water service to its commercial customers. DHEC rated the water system as "SATISFACTORY" during their last sanitary survey. No construction activity is being proposed by Hamilton-Haynes for its water systems and no immediate need exists for any major upgrade.

### 16 Q. EXPLAIN THE PROPOSED REVENUE INFORMATION COMPUTED 17 BY ORS FOR HAMILTON-HAYNES.

Exhibit HKM-2 summarizes Hamilton-Haynes' revenues for water service that would be generated from the residential and commercial customers of Hamilton-Haynes for a 12-month period. ORS used Hamilton-Haynes' current rates as indicated in its application for these calculations. ORS calculated Hamilton-Haynes' proposed operating revenues of \$25,140.

fuly 20, 2010 Page 4 of 5

## 1 Q. WHAT AMOUNT DOES THE ORS RECOMMEND THE COMMISSION 2 SET FOR HAMILTON-HAYNES'S WATER PERFORMANCE ROND?

- Based on the pro forma expenses provided by Hamilton-Haynes and using the criteria set forth in 26 S.C. Code Regs. 103-512.3.1 and 712.3.1, ORS determined the amount of Hamilton-Haynes' performance bond for water service should be \$100,000 (see Exhibit HKM-3). Hamilton-Haynes has inquired into obtaining a performance bond in the amount of \$100,000. ORS respectfully requests that the Commission require Hamilton-Haynes to maintain a performance bond amount for water operations in the amount of \$100,000 as it is in the public interest for Hamilton-Haynes to maintain a bond that satisfies the criteria as set forth in S.C. Code Ann. § 58-5-720 (Supp. 2009).
- 12 Q. PLEASE EXPLAIN EXHIBIT HKM-4.
- 13 A. Exhibit HKM-4 is a summary of the Hamilton-Haynes' proposed rates.
- 14 Q. PLEASE PROVIDE AN OVERVIEW OF THE SETTLEMENT
- The parties have agreed that their interests, as well as the interest of the public, would be best served by settling all pending issues in this proceeding. It is the position of ORS and the other parties of record in this docket that the Settlement Agreement, as presented to this Commission, is a fair, reasonable and full resolution to all issues in this proceeding. Further, the Settlement Agreement represents the public interest as it preserves the balance referred to in S. C. Code §58-4-10:
- 23 'nublic' interest means a halancing of the following

Page 5 of 5

1 2		(1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
3		to public utility services, regardless of the class of customer;
4		(2) Economic development and job attraction and retention in
5 6		South Carolina; and
7		(3) Preservation of the financial integrity of the State's public utilities
8		and continued investment in and maintenance of utility facilities
9		so as to provide reliable and high quality utility services
10		All parties agree that the rates and charges set forth are necessary for Hamilton-
11		Haynes to provide its residential and commercial customers with adequate water
12		service. The Settlement Agreement provides proposed rates, terms, and
13		conditions that are fair and reasonable to both the customer and Hamilton-Haynes
14		The utility is proposing a flat rate for water. The proposed rate schedule would
15		result in the ability to earn total revenue of \$25,140 resulting in a 2.80% operating
16		margin. Hamilton-Haynes did not seek a specific operating margin in their
17		application.
18		As stated earlier, it is the position of ORS and Hamilton-Haynes that this
19		Settlement Agreement is fair and reasonable and represents full resolution of all
20		issues in this proceeding and I would request the Commission approve the
21		Settlement Agreement as presented today.
22	Q.	DOES THAT CONCLUDE YOUR TESTIMONY?
23	A.	Yes it does.



#### ORS WATER SYSTEM INSPECTION REPORT

**Inspection Overview** 

Date Inspected: June 18, 2010

Inspector Name: Willie Morgan, Hannah Majewski

Docket Number: 2009-512-W

Utility Name: Hamilton-Haynes Water Works

Utility Representative: Carolyn Haynes Smith, Charles Hamilton

Number of Customers: 82

System Type (distribution, well, etc): well Location of System: Moncks Corner, SC

Location of Utility Office: 255 N. Highway 52, Moncks Corner, SC

Treatment Type: none Permit #: WS#0850014

Last SC DHEC Compliance Rating: S

Frequency checked by Licensed Operator: monthly

Wastewater Provider: septic

#### **Inspection Overview**

	System Components	Specific	#	P	Capacity	Comp	liance	Comments
	Inspected	Туре		S		Yes	No	
1	Well Sites		2			х	<u> </u>	
2	Pump Houses		2			х		
3	Storage Tank	Pressurized	2			×		Well 1 - 5000 gal Well 2 - 3100 gal
3a	Storage Tank	Non- Pressurized						
3b	Storage Tank	Overhead						
4	Chlorinator	N/A						
5	Other Chemicals in use	N/A						
6	Meters		82					Meters located at all residences, but are not being read (flat rate)
7	Fire Hydrants		0					
8	Electrical Wiring acceptable					х		
9	Piping acceptable					×		
10	Water free of air							Did not observe
11	Water free of sand							Did not observe
12	Water clarity							Did not observe
13	System free of leaks					Х		
14	Water free of observed odor							Did not observe
15	Access road adequate					Х		
16	Ability for service area to expand					х		

#### **Additional Comments:**

Signage (company name/phone number) required on well houses and storage tank; each well is approx. 240 feet deep

#### **EXHIBIT HKM-2**

#### HAMILTON-HAYNES WATER WORKS 2009-512-W REVENUE IMPACT ANALYSIS

Calculat	ted Revenue Overview					
Service Type	Customer Classification	Months of Occupancy	Service Units	Base Facility Charge (BFC)	New Service With Existing Tap fee (2)	Calculated Revenues (1)
	Residential	12	80	\$25.00		\$24,000
Water	Commercial	12	1	\$40.00		\$480
******	Church	12	1	\$40.00		\$480
	Misc. Revenue (2)				\$60.00	\$180
Total Ope	rating Revenues		82			\$25,140

#### Calculation Methodology:

- (1) Customer Tap Fees, Deposits and Interest on Deposits, Backflow Prevention Installation Fees are not included in any of the above computations.
- (2) Average 3 new customers with existing water tap per year

#### Hamilton Haynes Water Works 2009-512-W Performance Bond Requirement

	Hamilton-Haynes Water System				
<b>Bond Value Components</b>	Per Company Application	As Adjusted			
Salaries & Wages	\$9,998	\$9,998			
Electric	\$5,161	\$5,161			
Repairs and Maintenance	\$1,757	\$1,757			
Laboratory Testing Fees	\$535	\$535			
Rent	\$2,040	\$2,040			
Ofice Expenses	\$35	\$500			
Postage	\$45	\$300			
Insurance	\$955	\$1,455			
Accounting and Bookkeeping	\$175	\$200			
Utility Regulation Expense	\$0	\$183			
Rate Case Expense	\$0	\$1,000			
Property Taxes	\$800	\$800			
Miscellaneous	\$150	\$150			
Income Tax Expense	\$875	\$15			
Bond Value Requirement	\$22,526	\$24,094			

Performance Bond Structure	Bond Value	Expiration Date
Total Financial Assurance	\$100,000	

### Hamilton-Haynes Water Works Docket 2009-512-W Rates Overview

#### 1. Monthly Charges

#### Residential and Commercial

We are requesting an approval of a flat rate of \$25.00 per month for all single family residents, a \$40.00 flat rate for commercial taps, and a \$40.00 fee for the church.

#### 2. Nonrecurring Charges

We are requesting an approval of...

New connection Tap in Fee

 3/4" Meter
 \$560.00

 1" Meter
 \$760.00

 1 1/2" Meter
 \$1,260.00

New service with existing water Tap

3/4" Meter \$60.00

#### 3. Late Payment Charge

We are requesting an approval late-payment charge of 1 1/2 % or any other amount approved by the commission for payments received after the 25th of the month. Service may be terminated for non-payment of a bill pursuant to Commission regulations.

#### 4. Charges for Discontinuance and Reconnection

We are requesting an approval for reconnection fees of forty dollars (\$40.00) during normal working hours (8:00 AM to 4:00 PM Monday - Friday) and fifty dollars (\$50.00) after hours and weekends when service has been discontinued because of non-payment to be paid prior to the utility reconnecting service.

#### 5. NSF Charge

We are requesting an approval of NSF check charge up to the maximum amount allowed by applicable South Carolina Public Service Commission rule.

#### **BEFORE**

#### THE PUBLIC SERVICE COMMISSION

#### **OF SOUTH CAROLINA**

**DOCKET NO. 2009-512-W** 

П	N	P	$\mathbf{F}$
- 6		- 11	

Application of Hamilton-Haynes Water System for an Establishment of Its Service Area, Rates and Charges for the Provision of Water Services	)	CERTIFICATE OF SERVICE
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This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the JOINT REQUEST FOR SETTLEMENT HEARING WITH ATTACHED SETTLEMENT AGREEMENT AND SETTLEMENT TESTIMONY OF HANNAH K. MAJEWSKI in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Carolyn H. Smith, Office and Property Manager Hamilton-Haynes Water System 255 North Highway 52, Suite 1 Moncks Corner, SC, 29461

Chrystal L. Morgan
Chrystal L. Morgan

July 20, 2010 Columbia, South Carolina